Retaining Your Client Requires More Than Satisfaction: You Need to Help Your Client Feel Smart and In Control

By Lin Guo, Jing Jian Xiao, and Chuanyi Tang

Introduction

Extensive research has been undertaken to define the relationship between client satisfaction and client retention. Despite the widespread findings that client satisfaction is a key determinant of client retention, investigations in this area have also shown inconsistencies. To broaden our understanding of the satisfaction-retention link, we explored these concepts by studying results within a relational exchange. The results of this study revealed the following:

- Satisfaction and retention are mediated by client attitudes
- Client's attitudes are directly and indirectly influenced by client satisfaction
- Satisfaction alone does not guarantee retention

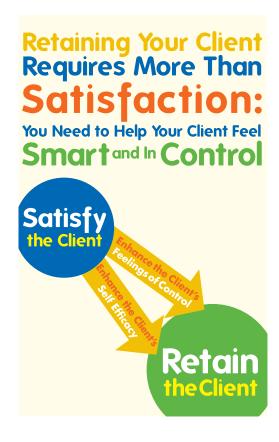
Contrary to the belief that client satisfaction is directly correlated to client retention, this body of research reveals a more complex relationship through the introduction of client attitudes. The findings acknowledge the importance of the attitude-behavior relationship, regarding attitude towards target and behavior, which mediate the satisfaction-retention relationship.

Transactional vs. Relational Marketing

Our research has unique relevance to the Real Estate industry, as we explore the impact of satisfaction within the context of relational interactions. Client retention is a critical issue in service industries characterized by relational exchange, like the Real Estate industry. Within such industries, business strategy has seen a paradigm shift moving marketing approaches away from transactional marketing towards relationship marketing. Transactional marketing generates passive, transitory, and reactive relationships with the client and tends to be short-term in nature. On the other hand, relationship marketing creates enduring bonds with clients to produce stronger, long-term purchasing and word-of-mouth activity. This type of marketing is also helpful to increase referrals and lead generation for the agent. Our research set out to determine how client's attitude towards target and towards behavior contributed to client satisfaction within the relational service context.

Attitude Towards Target

Attitude towards target is the degree to which an entity is positively or negatively valued. Buyers' overall satisfaction with the target, or agent, is partially derived from their collection of experiences within the real estate industry. Conversely, a single positive experience with an agent can result in a positive attitude towards the industry as a whole. Understanding these two dynamics provides deeper insight into client perceptions. Clients who have a positive attitude towards the target and towards the industry as a whole are more inclined to engage in repeat business. Think of this in terms of real estate: a buyer's satisfaction with his agent is a measure of the buyer's overall satisfaction with the purchase or the sale of his home.



Attitude Towards Behavior

Attitude towards behavior is the degree to which performance of a behavior is positively or

negatively valued. This differs from attitude towards target in that it is a more explicit analysis. For example, a buyer might have a positive attitude towards her agent, the target, but a negative attitude towards a specific action of that same agent.

Perceived Behavior Control

To understand how to influence your buyer/seller's attitude, you must first understand his level of perceived behavior control, that is, his perception of how easy or difficult it is to perform a behavior. Perceived behavioral control has a particular behavior as a target and varies among situations (Ajzen, 1991). For example, a seller who is unaware of market conditions might have the perception that it is going to be easy for her agent to quickly move her property. On the other hand, a buyer who is aware of the market situation might have the perception that it will be easy for the agent to negotiate down an asking price on a property. Buyers' perceived behavioral control exerts direct effects on their retention.

We proposed that perceived behavioral control has a direct effect on client satisfaction, intention to remain, and actual retention behavior. In the aforementioned situation, a seller who is unaware of market conditions might have the perception that it is going to be easy for her agent to quickly

move her property. This perception is false, given the market situation. However, the seller's perception will negatively influence her satisfaction and retention when the agent cannot move the property as quickly as the seller thinks the agent should.

Perceived Self-Efficacy

The conceptualization of perceived behavioral control goes hand-in-hand with the concept of perceived self-efficacy. Self-efficacy is the conviction that one can successfully execute the behavior required to produce a certain outcome. It measures the confidence towards the probability, feasibility, or likelihood of executing a given behavior. The intention to perform a behavior is constrained by both resources and the abilities one has to perform the behavior. A buyer/seller's self-efficacy beliefs to perform a behavior will, therefore, strongly influence his intention and actual behavior.

Implications of the Research for the Reader

Although satisfaction is a necessary premise of client retention, it alone is not sufficient to successfully retain clients. Agents should help the buyers/sellers enhance their feeling of self-efficacy and controllability regarding their transaction in order to increase their intention to retain the agent as well as the likelihood of actual retention. This means that once agents have helped their buyers/sellers enhance their perceptions of self-efficacy in the exchange, clients will evaluate those agents more favorably (Guo et al., 2009).

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